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Message Text

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70
ORIGIN EUR-25

INFO OCT-01 ADP-00 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00

EB-11 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-15 STR-08

TAR-02 TRSE-00 USIA-12 PRS-01 OMB-01 XMB-07 OIC-04

/177 R

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EB/OFP/FPD - MR. BOERNER
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R 162005Z JUL 73
FM SECSTATE WASHDC
TO AMEMBASSY LONDON

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E.O. 11652: N/A
TAGS: ETRD, EAGR, UK, US
SUBJECT: HMG NOTE ON US EXPORT CONTROLS

THERE FOLLOWS THE TEXT OF A CONFIDENTIAL BRITISH NOTE ON EXPORT CONTROLS PRESENTED TO UNDER SECRETARY CASEY BY COMMERCIAL MINISTER CORTAZZI ON JULY 12:

QUOTE HER MAJESTY'S GOVERNMENT ARE CONCERNED ABOUT THE EXPORT CONTROLS RECENTLY INTRODUCED BY THE ADMINISTRATION. THIS SERIOUS ACTION SEEMS LIKELY TO HAVE DAMAGING EFFECTS, AND THE PROCEDURES ADOPTED IN HANDLING THE MATTER HAVE UNFORTUNATELY ACCENTUATED THE DIFFICULTIES CAUSED.

DISTURBING PRICE EFFECTS ARE CLEARLY APPARENT IN THE ALREADY STRAINED CEREALS MARKET AND SEEM CERTAIN TO ARISE SHORTLY IN
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THE IMPORTANT ANIMAL FEEDING STUFFS SECTOR. THE US CONTROLS

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WILL CREATE DIFFICULTIES FOR A NUMBER OF UK OIL SEED CRUSHERS EVEN BEFORE THE END OF SEPTEMBER AND IF THEY WERE TO CONTINUE TO APPLY AFTER SEPTEMBER A MAJOR SUPPLY PROBLEM FOR THE INDUSTRY WOULD PROBABLY DEVELOP. THIS IS BECAUSE THE MAIN BRITISH CONTRACTS UNTIL THAT DATE ARE WITH BRAZIL; BUT FROM OCTOBER ONWARDS THE INDUSTRY RELIES ESSENTIALLY FOR SUPPLIES FROM THE UNITED STATES.

HER MAJESTY'S GOVERNMENT ARE PARTICULARLY DISTURBED THAT THE CONTROLS WERE INTRODUCED WITHOUT ANY PRIOR CONSULTATION; AND THAT AS YET THERE HAVE BEEN NO PROPOSALS FOR CONSULTATION ON THE PROBLEMS ARISING. FURTHERMORE, HER MAJESTY'S GOVERNMENT FEAR THAT DAMAGE MAY HAVE BEEN DONE TO THE PRINCIPLE OF THE FULFILMENT OF CONTRACTS, WHICH COULD SET AN UNDESIRABLE PRECEDENT FOR THE FUTURE OF WORLD TRADE GENERALLY, PARTICULARLY IN THE FORWARD CONTRACT MARKETS. THE APPARENT INSISTENCE ON A WRITTEN AFFIDAVIT BY THE IMPORTER ACCEPTING SHIPMENT OF A LESSER PROPORTION IN FULFILMENT OF THE CONTRACT (50 FOR SOYA BEANS AND 40 FOR SOYA BEAN MEAL OR CAKE) ALSO ADDS FURTHER COMPLICATIONS TO THE SYSTEM.

THE APPROACH ADOPTED IN INTRODUCING THESE CONTROLS IS BOUND TO CREATE CONSIDERABLE DIFFICULTIES FOR THE EUROPEAN COMMUNITY IN ADOPTING A FORWARD-LOOKING ATTITUDE IN ITS RELATIONS WITH THE UNITED STATES BOTH GENERALLY, AND IN PARTICULAR IN THE MULTILATERAL TRADE NEGOTIATIONS. THE IMPOSITION OF THESE CONTROLS HARDLY SUPPORTS THE CASE FOR THE ADOPTION OF MORE LIBERAL INTERNATIONAL TRADING ARRANGEMENTS FOR AGRICULTURAL PRODUCTS, ALTHOUGH IT DOES STRENGTHEN THE CASE FOR INTERNATIONAL ACTION TO HELP STABILISE AGRICULTURAL COMMODITY MARKETS.

HER MAJESTY'S GOVERNMENT VIEW THE ADMINISTRATION'S ACTIONS WITH MUCH CONCERN AND MUST RESERVE THEIR RIGHT TO CALL FOR CONSULTATION AS AND WHEN ANY PROBLEMS ARISE AS A RESULT OF THE CONTROLS. HER MAJESTY'S GOVERNMENT TRUST THAT THE UNITED STATES GOVERNMENT DO NOT INTEND TO PROLONG THE CONTROLS BEYOND THE PERIOD CURRENTLY PROVIDED. IF, HOWEVER, THE ADMINISTRATION HAS ANY SUCH VIEW IN MIND HER MAJESTY'S GOVERNMENT WISH TO SEEK IMMEDIATE AND THOROUGHGOING
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DISCUSSIONS WITH A VIEW TO AVOIDING ANY ACTION WHICH WOULD BE DETRIMENTAL TO THE INTERESTS OF THE UNITED KINGDOM.
UNQUOTE. RUSH

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